

**Social Security and Benefit Replacement Pay
Summary of Recommendations - Senate**

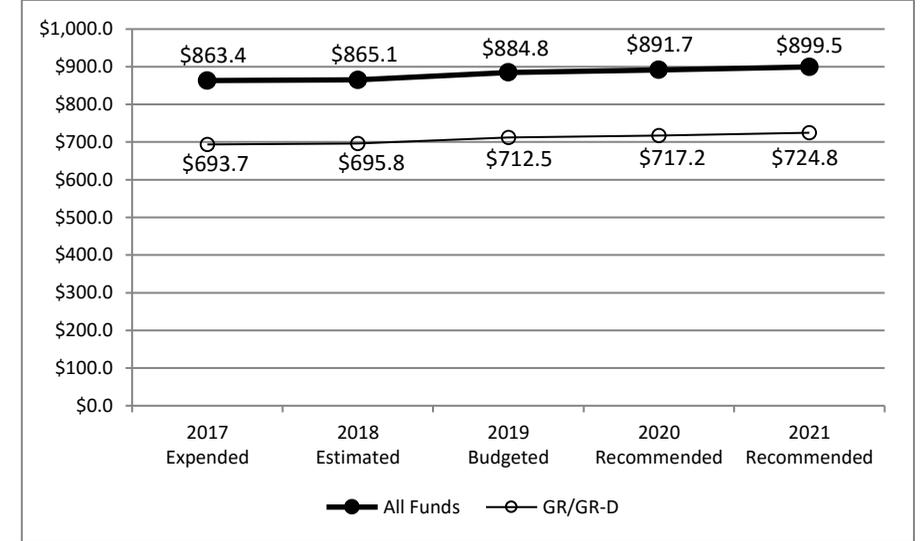
Page I-28

The Honorable Glenn Hegar, Comptroller of Public Accounts

Katy Fallon-Brown, LBB Analyst

Method of Financing	2018-19 Base	2020-21 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$1,237,600,316	\$1,265,671,658	\$28,071,342	2.3%
GR Dedicated Funds	\$170,683,116	\$176,399,385	\$5,716,269	3.3%
<i>Total GR-Related Funds</i>	<i>\$1,408,283,432</i>	<i>\$1,442,071,043</i>	<i>\$33,787,611</i>	<i>2.4%</i>
Federal Funds	\$190,651,654	\$196,055,194	\$5,403,540	2.8%
Other	\$150,957,848	\$153,072,647	\$2,114,799	1.4%
All Funds	\$1,749,892,934	\$1,791,198,884	\$41,305,950	2.4%

Historical Funding Levels (Millions)



**Social Security and Benefit Replacement Pay
Summary of Funding Changes and Recommendations - Senate**

Funding Changes and Recommendations for the 2020-21 Biennium compared to the 2018-19 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	Increase in state contributions for Social Security and Medicare due to payroll growth and FTE growth.	\$31.9	\$6.2	\$6.5	\$3.0	\$47.6	A.1.1
B)	Decrease in Benefit Replacement Pay due to attrition of employees hired before September 1, 1995.	(\$3.9)	(\$0.5)	(\$1.1)	(\$0.9)	(\$6.3)	A.1.2
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		\$28.1	\$5.7	\$5.4	\$2.1	\$41.3	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$31.9	\$6.2	\$6.5	\$3.0	\$47.6	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$3.9)	(\$0.5)	(\$1.1)	(\$0.9)	(\$6.3)	As Listed

NOTE: Totals may not sum due to rounding.

**Social Security and Benefit Replacement Pay
Selected Fiscal and Policy Issues - Senate**

1. **Social Security and Medicare.** The state pays the employer contribution of federal Social Security and Medicare payroll taxes for state agency and higher education employees. Recommendations include a net increase of \$47.6 million in All Funds (\$38.1 million in General Revenue-Related Funds) from the 2018-19 biennium based on the following assumptions:
 - Continued employer contribution rates of 6.2 percent of salary for Social Security and 1.45 percent of salary for Medicare;
 - 0.5 percent payroll growth for state agency employees in fiscal years 2019, 2020, and 2021;
 - 3.01, 1.91, and 2.02 percent payroll growth for higher education employees in fiscal years 2019, 2020, and 2021, respectively; and
 - FTE growth at the Health and Human Services Commission, the Texas Education Agency, the Teacher Retirement System, the Department of Public Safety, and the Railroad Commission; and
 - Method of finance transfers at the Historical Commission and the Railroad Commission.

2. **Benefit Replacement Pay.** The state currently pays certain employees a supplemental benefit to replace the amount that the state previously paid for the employee's social security contribution before September 1, 1995. Recommendations include a decrease of \$6.3 million in All Funds (\$4.3 million in General Revenue-Related Funds) from the 2018-19 biennium because of increasing turnover among these employees. Recommendations assume annual reductions of 14 percent in fiscal year 2019 and 15 percent in the 2020-21 biennium and incorporate a method of finance transfer at the Railroad Commission.

**Social Security and Benefit Replacement Pay
Appendices - Senate**

Table of Contents		
Appendix	Appendix Title	Page
A	Funding Changes and Recommendations by Strategy	5
B	Summary of Federal Funds	*
C	FTE Highlights	*
D	Performance Measure Highlights	*
E	Summary of Ten Percent Biennial Base Reduction Options	*

* Appendix is not included - no significant information to report

**Social Security and Benefit Replacement Pay
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS**

Strategy/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments
STATE MATCH -- EMPLOYER A.1.1	\$1,726,792,408	\$1,774,428,894	\$47,636,486	2.8%	Recommendations reflect a net increase of \$47.6 million in All Funds based on the following assumptions: - Continued employer contribution rates of 6.2 percent of salary for Social Security and 1.45 percent of salary for Medicare; - 0.5 percent payroll growth for state agency employees in fiscal years 2019, 2020, and 2021; - 3.01, 1.91, and 2.02 percent payroll growth for higher education employees in fiscal years 2019, 2020, and 2021, respectively; and - FTE growth and method of finance transfers at select agencies.
BENEFIT REPLACEMENT PAY A.1.2	\$23,100,526	\$16,769,990	(\$6,330,536)	(27.4%)	Recommendations reflect a decrease of \$6.3 million in All Funds and assume: - annual reductions of 14 percent in fiscal year 2019 and 15 percent in fiscal years 2020 and 2021, and - method of finance transfer at the Railroad Commission.
Total, Goal A, SOCIAL SECURITY/BENEFIT REPLACEMENT	\$1,749,892,934	\$1,791,198,884	\$41,305,950	2.4%	
Grand Total, All Strategies	\$1,749,892,934	\$1,791,198,884	\$41,305,950	2.4%	